

Message Text

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TO AMEMBASSY JIDDA IMMEDIATE

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C O N F I D E N T I A L STATE 144462

EXDIS

E.O. 11652: GDS

TAGS: EAID, USEGJC

SUBJECT: EMERGENCY AID TO EGYPT

REF: (A) JIDDA 4026; (B) STATE 134117; (C) CAIRO 5927;

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1. USG IS PROCEEDING WITH EFFORT OUTLINED BY UNDER
SECRETARY ROBINSON TO PRINCE FAHD AND MINSTATE FINANCE
ABA AL-KHAYL IN RIYADH MAY 21 TO RAISE \$900 MILLION TO
\$1 BILLION IN EMERGENCY BALANCE OF PAYMENTS SUPPORT FOR
EGYPT. POSITIVE RESPONSES BUT NO FINAL COMMITMENTS HAVE
BEEN RECEIVED FROM IRAN, JAPAN, WEST GERMANY, AND FRANCE,
WHILE SAUDI ARABIA HAS (PER REFTELS) INDICATED READINESS
TO CONTRIBUTE TO THIS IMPORT-FINANCING POOL AND TO
REFINANCING EGYPT'S SHORT-TERM FOREIGN BANK DEBT. FIRM
RESPONSES FROM ABOVE LISTED COUNTRIES EXPECTED DURING
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NEXT WEEK TO TEN DAYS. AT THAT TIME IT WILL BE
ESSENTIAL TO KNOW HOW TO COUNT SAUDI CONTRIBUTION.

2. GOE OFFICIALS HAVE INFORMALLY SUGGESTED SEPARATING ARAB AND NON-ARAB AID CONTRIBUTIONS, WITH FORMER GOING LARGEY TO REFINANCE MUCH OF EGYPT'S 700 MILLION POUND FOREIGN BANK DEBT AND LATTER BEING APPLIED TO ESSENTIAL IMPORT FINANCING REMAINDER OF CY-1975. USG HAS RESISTED TOTAL SEPARATION ON GROUNDS THAT WHEN WE ACCEPTED GOE REQUEST TO HELP MEET EMERGENCY IMPORT FINANCING PROBLEM WE AGREED THAT SAG WOULD BE PART OF CORE GROUP WITH IRAN AND US, EACH TO CONTRIBUTE \$250 MILLION, AND THAT JAPAN, WESTERN EUROPE AND POSSIBLY KUWAIT WOULD BE APPROACHED FOR TOTAL OF \$250 MILLION. WE BELIEVED, AND EXPERIENCE HAS CONFIRMED, THAT \$1 BILLION COULD NOT BE RAISED FROM NON-ARAB COUNTRIES ALONE. OF COURSE, WE HAD NO OBJECTION TO GOE'S TRYING TO OBTAIN ADDITIONAL CASH AID FROM ARAB COUNTRIES, INCLUDING SAUDI ARABIA, FOR LIQUIDATION OF HIGH-COST SHORT-TERM DEBT.

3. REQUEST CHARGE OBTAIN FROM ABA AL-KAYYL AT EARLIEST CONVENIENCE CONFIRMATION THAT IT IS SAG'S INTENTION, PER CONVERSATION WITH ROBINSON, THAT \$250 MILLION OF PENDING SAUDI COMMITMENT OF \$600 MILLION BE ATTRIBUTED TO \$1 BILLION PACKAGE OF EMERGENCY INTER-NATIONAL ASSISTANCE TO EGYPT RECOMMENDED BY USG, ALONG WITH SAME AMOUNT FROM US AND \$400 TO \$500 MILLION FROM IRAN, JAPAN AND WESTERN EUROPE. THIS UNDERSTANDING IS NEEDED IN OUR PREPARATION FOR CONSULTATION WITH CONGRESS AND FOR FINAL ROUND OF DISCUSSIONS WITH OTHER DONORS.

4. IN DISCUSSING FOREGOING WITH SAG, IT MAY BE USEFUL TO REMIND SAG THAT US \$250 MILLION IS ONLY PART OF TOTAL US ECONOMIC AID TO EGYPT IN CY-1975 TOTALLING OVER \$500 MILLION -- \$400 MILLION NON-PROJECT IMPORT FINANCING AND OVER \$100 MILLION IN PROJECT AID.

5. FYI: SOME GOE OFFICIALS APPEAR TO BE HOPING THAT SAG MIGHT BE PERSUADED TO PROVIDE \$250 MILLION LATER THIS YEAR IN ADDITION TO THE PENDING \$600 MILLION. WE HAVE
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NOT INSTIGATED THIS. KISSINGER

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